

Cyd Ynni – who we are

1 Cyd Ynni is a consortium of five community energy groups established in 2016 who share commitments to the harnessing of local natural resources to generate renewable energy to enhance and develop our communities. The Cyd Ynni members are:

Cyd Ynni member	Active generation	In development
Ynni Anafon	270 kW hydro - Dec 2015	Direct sale to local distillery
Ynni Ogwen	100 kW hydro - June 2017	Hydro + Energy Local Club
Ynni Padarn Peris	55 kW hydro - June 2017	Solar & hydro
Ffarm Moelyci	No	Solar & biomass
Ynni'r Ocar	No	239 kW hydro + direct sale to local industry

2 Current Cyd Ynni projects:

- Energy Local Club trial in Bethesda based on the Afon Berthan hydro (National Trust) to sell power directly to domestic consumers
- Big Lottery project (£240,000) to provide 1.5 FTE staff to provide Development officer to support progression of additional Cyd Ynni member renewable energy schemes and a part time officer to assist in development and management of the Energy Local Clubs and energy awareness, especially to tackle fuel poverty.

3 The ambition of Cyd Ynni members is not just to produce renewable energy but to harness the revenues and good will of the hundreds who have invested in our hydros and joined the Energy Local Club to develop, monitor and foster further awareness of sustainability issues in our communities. We see our initial hydros as the basis for wider, far reaching projects to develop our communities, build the economy and enhance our local environment.

4 This submission is drawn from the collective experience of the Cyd Ynni members.

Recent progress of Community Energy in Wales

5 Cyd Ynni experience of community energy reaches back to pre-FIT days and includes schemes which are generating and those which are still in feasibility stage. Early on it was difficult to source funding for feasibility studies, good examples were all in Scotland, available support was inexperienced and financing was problematic. It was in this environment that Ynni Anafon blazed a trail to become one of the first community hydros in north Wales. Ynni Ogwen and Ynni Padarn Peris both benefitted from grant and advisory support designed to support community energy and attractive FITs. In the last year the groups with schemes in development are struggling to come to terms with continual uncertainty with availability of grants and advisory support, more challenging financial times and generally having to plan for a post-FIT scenario. The successes within Cyd Ynni amply demonstrates that the community energy model is well supported with a £1.3 million investment in the three completed schemes raised from hundreds of people purchasing community shares with ~80-90% living within the local area. Having generating hydros means that Cyd Ynni members are looking to the next stage which is the distribution of profits and optimisation of the sale of power to provide additional community benefits (see table above).

6 Community energy is not easy – but possible with the right support, is well received by local people, opens up a wide range of possibilities and empowers communities.

Examples of good practice and innovation in Wales and beyond

7 We hope that what we have done individually and collectively are examples of good practice! Certainly, we have been, are and wish to continue to be innovators and pioneers of community energy in Wales.

Barriers to the development of community energy projects

8 All the Cyd Ynni members have had to negotiate over and around many hurdles - what follows is a summary of our experience.

Capacity of volunteers

9 Community energy projects are generally developed by volunteers drawn from the local community. Many of these people have day-jobs and find it difficult to find the time to learn the intricacies of engineering specification, energy pricing, financial modelling etc. in order to comprehend long and complex procedures and documents. It can also be difficult to call people and attend meetings during normal working hours. In small communities sourcing all the various skills from volunteers can prove impossible. It also inevitably falls to a small number of volunteers to take projects forward and often that only people who had capacity to get involved were those who were retired as at busiest times it was a full-time job! Over-reliance on these volunteers often follows and planning for 'succession' so they can hand off to new, young people is an emerging concern for many groups. Lack of capacity in terms of time and skills is a huge issue for all groups.

10 With the recognition that volunteer capacity is a significant barrier to the development of further hydro in our area, Cyd Ynni has recently applied for and been awarded a £250,000 Lottery grant which (among other things) will provide a full time Development officer post to support the development of new community energy schemes in our area. We are also thinking about sustainability of support and are hoping to build a business plan for Cyd Ynni to make support less reliant on grants.

Uncertainty in provision of advisory support

11 The Development Officers provided by the Ynni'r Fro/Ynni Lleol projects have been invaluable in providing advice, checking quotes, proof-reading grant submissions and generally encouraging and supporting the volunteers. Early support from the Ynni'r Fro programme was targeted at larger schemes (> 250 kW) and was unavailable to smaller community energy schemes. This was addressed in Ynni Lleol when this threshold was lowered and for a few years this worked well. However, over the past two years we have lived under the constant threat that this support was coming to an end – in March 2016 and again in 2017. It seems we now have yet another reprieve. This insecurity is not at all helpful when the fastest progression of a Cyd Ynni member from project inception to generating was three+ years and the longest is just about to submit for consenting after 14 years.

12 Peer-mentoring available through Renew Wales which has also suffered from stop-start availability. This closed earlier this year but we hear it is due to recommence in 2018.

13 Support from the Wales Co-op Centre, once the go-to place for help with setting up a social enterprise, has also been retracted and is no longer available as energy schemes do not provide immediate or direct jobs which is their new focus.

14 For advisory support to give volunteers the confidence they will get good, sympathetic advice it needs to be dependable and available over several years. The number of advisors also needs to be scaled to anticipated demand – at the height of interest in community energy schemes it was difficult to obtain sufficient time from the advisors to progress projects at a sensible rate.

Negotiating with regulators

15 Regulation is required and must be applied equally to all applicants – however, Cyd Ynni members have experienced significant barriers to their schemes which apparently relate to either a lack of capacity or sympathy within regulatory bodies. In particular, the length of time taken to negotiate with NRW was a problem for Ynni Ogwen. In this case pre-application negotiations lasted a year leading to a formal application for the licence in May 2015. NRW then failed to issue the licence until Jan 2016 which was way beyond the four-month limit noted in their Statutory guidelines. This meant that they missed the pre-accreditation deadline for FITs, lost revenue and had to re-work their financial projections.

Financing scheme development

16 Each Cyd Ynni member used a range of grants to fund the development of a viable scheme through pre-feasibility, feasibility, planning, financing etc. before the scheme is ready for loans and share offers. In the early days grants were available from private funders such as the Waterloo Foundation but these have been withdrawn as community energy became more mainstream and grants became available from the government. These grants e.g. those from Welsh Government administered by the Energy Saving Trust were invaluable in the development of Ynni Ogwen. Most community groups have to buy in expertise to help them develop schemes, conduct feasibility studies, impact assessments, ecological studies etc. Grant support for scheme development needs to continue.

Design of incentives

17 The artificial thresholds of the FITs (especially the 100 kW step in FIT rates) distorts decision-making and potentially reduces generating capacity. The scale of a scheme should be optimised by the potential of the site and environmental constraints and not reduced simply to maximise returns on the FIT incentive. Surely the incentive should seek to optimise generating capacity and the way in which it puts a ceiling on capacity is perverse?

18 The threat of degressions on FITs has also led to uncertainty, pressure to proceed quickly which can result in poor decision-making and schemes failing simply because a FIT deadline was missed. FITs are a time-bound incentive which make up for low grid prices and prevent the use of capital grants.

19 It can be argued that dependency on a FIT-based financing model has held back the development of local sales where it is possible to negotiate better prices and the use of grants to develop community energy schemes. A better and more focussed incentive for community energy might be just around the corner with the Energy Local model for a local market for power which if coupled with a community energy asset development grant or bond could replace FITs.

20 Green bonds for community energy are perhaps something which could be used to capitalise community energy schemes. The Robert Owen Bank does operate a revolving fund but this is in effect a bridging loan capped at £90k and applies variable and occasionally very high interest rates (write off for failed scheme but up to 25% for a scheme judged to be low risk). A bond which could provide larger sums, over longer periods at low interest rates to capitalise build would complement community shares as a means of financing new schemes. Indeed, we see there is significant potential for innovation in the application of community shares and bonds within the consortium. Years back, there was a discussion about the possibility of issuing a national renewable energy bond and its potential - at a UK level - to be a significant wealth creator. Might it be a good time to revisit these ideas as is being proposed in Scotland¹? Perhaps WG could establish a community energy bond for Wales?

Stability in support frameworks

21 New schemes take years to develop – the majority take 3+ years to realise. A year for the group (once they've come together) to work out the business, another year to fine tune the scheme, and another year to raise funds and build. Unfortunately, the policy and support climate changes on a much quicker scale than this. The instability created by changing support coupled with the moving goal posts on FITs and unanticipated changes in rates mean that groups are unable to move forward with any confidence and drawing up a business plan is nigh on impossible.²

Business Rates for hydro

22 We are still waiting to see how this will impact on Cyd Ynni member with larger installations.

Grid constraints

23 The grid is full in many parts of rural Wales, upgrades are required before more generation can be connected. In Wales community projects have either been constrained or abandoned due to grid constraints. For example, the Ynni Anafon scheme had the potential to deliver a capacity of 500kW but was constrained to 270kW. Perhaps WG could look at infrastructure support to help Local Network Providers to reduce the cost of grid connections for remote installations with good generating potential (in a similar way that funding has been provided to roll out superfast broadband).

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¹ See <http://www.gov.scot/Publications/2017/01/3414/7> and <https://www.scottishrenewables.com/publications/scottish-renewable-energy-bond-discussion/>

² For the perspective from Ynni Padarn Peris see <http://www.iwa.wales/click/2017/07/taith-ynni-padarn-peris-ynni-padarn-peris-journey/>

Views on how Wales' target of generating 1GW from locally owned energy by 2030 can best be achieved

24 Most of our suggestions are in the section above – in summary we can see that the following actions would greatly assist Cyd Ynni members and neighbouring communities to develop their own community energy schemes:

- 25 Support development of schemes by volunteer-led community groups to include:
- Continuation of advisory support for community energy schemes
 - Provision of call-down for professional services in scheme development to address gaps in capacity
 - Continuing provision of grants to fund specialist studies required for scheme development
 - Funding for secondments so working-age volunteers can free up sufficient time to contribute fully to scheme development
 - Commission review of volunteer motivations to highlight recruitment of new volunteers to secure succession in group leaders
 - Recognition that this is a long-term process which is not well served by stop-start projects

26 Create stability in support and incentives

27 Address capacity issues in grid connections

- Cover costs of grid strengthening

28 Provision of low cost financing options for community energy schemes

- Provision of asset creation grants (if asset transfer can be funded why not also fund asset creation?)
- Facilitate development of a community energy bond that could be used for energy generation schemes and other community investment

29 Speed up regulatory processes

- Hold regulators to obligations to meet timelines on decisions – recognise that this maybe a capacity issue in NRW and fund accordingly

Support provided by the Welsh Government through its Local Energy Service

30 See above –Both the Development officers and grants are highly valued and have been invaluable to Cyd Ynni members success. The only problem has been uncertainty in the continuation of this provision. Please continue with this scheme.

Climate Change, Environment and Rural Affairs Committee
Inquiry into community energy in Wales – Cyd Ynni response

Submission prepared by:

Jenny Wong – Ynni'r Ocar
Meleri Davies – Ynni Ogwen
Paula Roberts – Ynni Padarn Peris
Colin Keyse – Ffarm Moelyci
Hywel Thomas – Ynni Anafon

30 November 2017

The content represents the personal contributions of the authors.