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Dear Laura

### **Shared Ownership & Meaningful Offer Guidance**

Scottish Renewables is the representative body for the renewable energy industry in Scotland, working to deliver a low-carbon, secure energy system, integrating renewable electricity, heat and transport at the lowest possible cost.

We welcome the opportunity to comment on your document on “*Meaningful*” *socio-economic impact* for shared ownership offers.

Scottish Renewables recognises the benefits that can be delivered through shared ownership schemes. The renewables industry has a strong track-record of working closely with communities and many of our members are pioneering the delivery of shared ownership projects.

We are keen to work with our members, community organisations and government bodies to enable shared ownership opportunities among communities who are willing and able to work with developers while ensuring good quality commercial developments continue to provide benefits to Scotland.

It is absolutely crucial, however, that the approach taken towards shared ownership is one which allows communities and developers to pursue models best suited to their circumstances. This need for flexibility has been firmly stated in the Scottish Government’s Shared Ownership Good Practice Guidelines.

In looking to determine meaningful offers of shared ownership, we feel the document overlooks the crucial need for this flexibility. Further, the current proposals are overly simplistic and existing shared ownership models would not fit these criteria.

We would therefore be unable to support the criteria in this document in its current form, and we provide further details as to why in our attached response.

I am more than happy to discuss this further, and would welcome the opportunity to continue to feed-in to your work on shared ownership as it progresses.

With best wishes,

A handwritten signature in black ink, appearing to read 'Hannah Smith', written in a cursive style.

**Hannah Smith**

**Policy Officer – Markets and Systems**

## **Feedback from Scottish Renewables**

### **Section One: Thematic Comments**

#### **Industry Involvement in Community Ownership**

Many of our members have been at the forefront of developing shared ownership projects, and the industry has been heavily involved in the development of the Scottish Government's Best Practice Guidance.

For the purposes of the document, and in shared ownership discussions more broadly, it is important to have clarity over which technologies are being considered. There is an assumption that the document refers to onshore wind developments, but this is not made explicit.

Similarly, as our energy system changes, it is likely that communities may look to develop local energy systems – integrating different forms of energy generation potentially with energy storage or electric vehicles, for example. Technologies, and their corresponding business models, will differ. We therefore advocate for a continuation of the flexible approach to shared ownership in order to maximise opportunities that may come from new and emerging technologies.

#### **Flexibility**

A guiding principle of shared ownership in Scotland has been flexibility. The Scottish Government Good Practice Principles state that:

*“Flexibility is fundamental to the success of shared ownership projects”<sup>1</sup>*

Our members have expressed concern that defining a ‘meaningful offer’ in an overly prescriptive manner, with an inflexible, top-down approach, would be a significant departure from the thought-leading practice to date – and a departure from the flexibility highlighted as being so important in the good practice principles.

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<sup>1</sup> [Scottish Government Good Practice Principles for Shared Ownership of Onshore Renewable Energy Developments](#), p. 17

Shared ownership models and the values of various arrangements will vary between projects and communities. It is of fundamental importance that communities and developers are able to explore structures best suited to their circumstance.

**It has come to our attention that ‘meaningful offers’ as currently defined in the document would exclude some existing examples of successful shared ownership projects and it is clear that too prescriptive an approach could hinder alternative models of shared ownership from developing.**

Current market context for the renewable energy sector makes flexibility even more important. After disruptive changes to financial support mechanisms, the onshore renewables industry has no clear route to market for projects looking to deliver after the closure of the Renewables Obligation. Similar uncertainty faces less established technologies. It is only through non-prescriptive, flexible approaches, that developers will be able to ensure shared ownership projects can be pursued in a commercially viable way.

### **Market for shared ownership**

It is our belief that the appetite from communities to pursue and commit to shared ownership prior to submission of a planning application for a project project is severely limited. Many of our members have attempted and failed to secure partnerships with communities at this early stage.

As we detail further below, there are significant limits to the information on projects that developers themselves know/are able to provide at this time – so prescriptive demands on communities and developers in order to demonstrate meaningful ownership offers as described in the document are unrealistic.

Success rates can be higher when allowing flexible approaches to shared ownership models, for example, pursuing shared ownership arrangements where communities are offered a stake in an operational asset.

### **Planning**

**We do not believe the definition of a ‘meaningful offer’ as proposed in the document is suitable for consideration within the planning process.**

We are additionally concerned that the document – while designed to offer advice to planning authorities – in effect seeks to make substantial changes to the assessment of material socio-economic benefit in planning. Any such change

must be undertaken through due process and consultation by the relevant authority.

## **Section Two: Comments Specific to the Document**

### **Financial offer of shared ownership**

Determining what constitutes a meaningful financial offer is a complex issue, varying for each development, and something requiring much consideration.

While we understand the logic in securing a degree of consistency between the rates relief regulations to define financial offers, in this context the figures are overly simplistic, failing to account for the variety of shared ownership models that could benefit a community.

We advocate for this section to be reconsidered.

- Identifying values in terms of 'profit' is overly simplistic. Many developers, due to their portfolios, do not calculate 'profit' for individual windfarms/turbines. Revenue, rather than profit, is a more reasonable indicator – however prescriptive monetary values sit in contrast to the flexibility advocated for in the Good Practice Guidelines.
- 'Community Organisations', as referred to in section 1.1, are lacking definition in this document. Flexibility to the type of body able to pursue shared ownership should be maintained.

### **Legal Agreements**

We believe this section of the document to be underdeveloped. Firstly, there is no definition of an 'offer', or what that would entail.

The proposed legal agreements outlined are also unrealistic for a project pre-planning application submission as they may be neither legally or commercially appropriate at this stage.

A number of factors shape the finances of a development, and therefore the risk profile which communities pursuing ownership would take on. Planning costs, construction costs, timings, site yields and assumptions relating to developer income (through mechanisms such as Contracts for Difference) cannot be shared due to the competitive auction processes. Rates of return cannot be accurately calculated by developers at this early stage.

It is our understanding that Financial Conduct Authority regulation and the Financial Services and Markets Act would limit detailed discussion on investments at this stage

More useful would be to propose how developers can demonstrate they have attempted to engage with communities – whether or not this ultimately leads to a shared ownership agreement

### **Timing of Partnership**

We understand it is reasonable to expect parties pursuing shared ownership agreements to develop and commit to timelines. However, these may be best decided upon based on the specific criteria of the project and the appropriate commercial considerations.

In the context of the document, what is meant by a ‘community decision’ is unclear.

### **Partners**

As previously noted, the experience of our members suggests that there is limited appetite from communities to pursue shared ownership projects in the early stages.

Further consideration is needed into how developers can demonstrate they have engaged with communities ‘meaningfully’, even if shared ownership is not ultimately pursued.

### **Local Benefits**

Both 5.1 and 5.2 require developers to have a firm understanding of the price they receive for the power they generate. With recent changes to financial support regimes, such as the early closure of the Renewables Obligation, that is simply impossible to determine. Some technologies, including onshore wind,

have no clear route to market beyond the closure of the renewables obligation.  
This makes pursuing such prescriptive criteria unrealistic.