PART II

A Guide for Communities Participating in Wind Farm Development

4 Becoming Involved in Wind Farm Development

This step-by-step guide to setting up a wind farm provides details of an approach which communities could adopt either to develop their own wind farm (a step which is not recommended until some of the current issues raised in Part I have been addressed), or to participate in a wind farm development being undertaken by a commercial developer.

If a large number of communities are to participate in wind farm development, the findings of this study show that it is essential to set up an organisation to help them do so, along the lines of the proposed Renewable Energy Advisory Group (REAG) discussed in Part I, Section 3. In the meantime, community organisations that wish to seek immediate expert advice should contact Sustainable Energy Ireland's Renewable Energy Information Office which can provide a list of experts with experience in wind farm project development.[38]

The REP recommends that the initial task of the proposed REAG should be to help establish, and then provide assistance to, four different types of community organisation, these are:

- Community Charitable Trusts - either existing or new local community groups similar perhaps to a Community Council.
- Broadly-based Community Investment Groups - a large group of small-scale individual investors from the community or who have links to the community.
- Narrowly-based Local Investment Groups - a small number of large-scale investors from the community or who have links with the community.
- Independent Community Organisations.

4.1 Types of Community Organisations

Community charitable trusts

Some commercial developers may wish to seek community support before they submit their planning applications. But with whom in the community would these developers deal? Most communities do not have a suitable organisation. Money may be offered by developers to the community, as is the case in Scotland (see Part I, Section 1), but how would this be handled and spent?

Some developers may take another approach. National Power in England is prepared to allocate turbines to communities near its wind farms which the communities would come to own over time. The cost of the turbines would be recovered from the sales of the electricity they would produce, so that, after about ten years, the communities would own them outright and receive the income generated. As part of this study, National Power confirmed that it was easier for it to borrow to buy the turbines than it was for a community group to do so but 'unfortunately there's usually no appropriate community organisations with whom we can deal'.

Ireland needs a network of community charitable trusts, with the skills, legal status, expertise and mandate to deal with potential investors, in areas of the country with good wind power. The proposed Renewable Energy Advisory Group's (REAG) task would be to advise communities in those areas on how to set up charitable trusts, how to negotiate with developers and how to handle the income from projects so as to benefit the entire community. These organisations need to be set up as soon as possible because, once developers have secured their planning permission, the community's chance of negotiation will be gone.

2. Broadly-based community investment groups

Broadly-based community investment groups will aim to get as many people in their communities to invest in a wind energy project as possible. In this way the benefits are widely shared and the community's feeling of 'one-ness' is strengthened. Such groups would have a choice of finding their own wind farm sites and hiring a professional to handle the development for them (e.g. Burger Windpark in Germany as discussed in Part I, Section 2.1.3), or of negotiating to buy into a commercial developer's project. As stated above, the findings of this study mean that the latter is the only course the Renewable Energy Partnership can recommend in the present policy environment.

The current constraints to wind farm development and the Renewable Energy Partnership's recommendations for progressing community ownership are discussed in detail Part I, Section 3.

An example of the form that investment by a community in a commercial developer's project might take is given overleaf.

[38] Sustainable Energy Ireland, Renewable Energy Information Office, Shinagh House, Bandon, Co. Cork. Tel: 023 42193 E-mail: wind@reio.ie Web: www.sei.ie/reio.htm

4 Becoming Involved in Wind Farm Development

Two hundred families each put up €5,000, raising €1 million. The established community investment vehicle (the promoters) will realise that many of their target families will need to borrow from the local credit union to buy their shares. Accordingly, it is likely that the promoters will want to adopt a low risk strategy and will not want the investment made by their group to be used as risk capital by a wind farm developer to leverage a large bank loan. Therefore, even though it might mean a lower rate of return on the group's savings, instead of taking shares in a commercial wind farm, they will prefer to buy one of its turbines outright and offer the developer a management contract to run it for them.

Such a group will probably opt to register as a co-operative so that every investor, regardless of the size of their stake, has an equal voice. Such groups will need a considerable amount of advice and the establishment of the proposed REAG would facilitate this.

When circumstances are conducive to broadly-based community groups developing their own projects (see Part I, Section 3), access to general wind farming advice including experts they might employ such as electrical and civil engineers, financial and legal advisers, turnkey contractors etc. will be vital. The proposed REAG would be able to assist in this area and also advise on the level of costs that groups are likely to incur and suitable financial structures they might adopt.

3. Narrowly-based local investment groups

The people likely to become involved in narrowly-based local investment groups will tend to have higher disposable incomes than those in the more broadly-based group and will aim to secure a high return on their capital. They will therefore be prepared to accept a higher degree of risk. They will have the choice of developing their own projects, something they will be keen to do if one or more members already own suitable sites for a wind farm. Alternatively, they may opt to develop a wind farm project in conjunction with a commercial developer.

In the latter case, they would be willing for the commercial developer to use their money as part of the wind farm's equity to obtain a bank loan. Since the extra risk which this incurs will not suit those with a cautious attitude to financial exposure, the number of community members participating in the project may be quite small. Indeed, some may question whether this is a community venture at all, even though most of the shareholders live in the same area. A conventional limited company structure will suit this type of group as each investor's vote will be proportional to their stake in the company.

The proposed REAG would provide advice to such groups on the range of legal structures they might adopt and could send a representative to assist them in negotiating with commercial developers or in developing their own projects.

4. Independent community organisations

An existing community organisation, such as a co-operative or development trust, might wish to establish a wind farm, just as was done by the Burtonport Fishing Co-operative Society.[39] Such a group may, or may not, decide to allow other local people to invest in its project.

As in the Burtonport case, some of these organisations might wish to generate power purely for their own use rather than to sell to the national grid. For example, a group planning an eco-village in Cloughjordan, Co. Tipperary, would like to generate electricity to be used in community buildings and to be sold to those occupying the houses in the village. The power would be generated using gas from a biodigester as well as from the wind. The eco-village would draw electricity from the grid whenever its own generation was unable to meet the community's demand. The eco-village would not necessarily have to sell power into the public system.

In April 2004, the question arose as to whether the eco-village would be able to sell power to the villagers, in view of an EU requirement that every electricity consumer be able to switch electricity suppliers at 28 days' notice. Such a requirement would make the development of a local supply system impossible, as every house in the village would require direct access to a grid supply. Moreover, if the villagers were prevented from entering into a long-term electricity supply contract with their own collectively-owned company, it would be impossible to raise the finance for a wind-turbine and a gas engine-powered generating set.

The proposed REAG would work with organisations such as this, helping them to steer through the legal maze. The REP's view is that it is important that regulations allow communities, existing as well as planned, the option to meet their energy requirements directly from their own resources rather than having to do so indirectly through the national grid.

For further information on community involvement in wind farm development see ***File 10: Mechanisms for Community Entry into Wind Farming*** and ***File 11: Progressing Community Investment in Wind Farm Projects in Ireland***

[39] The Burtonport Fishing Co-operative is discussed in Part I, Section 2.2